UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/CP/INS/5
31 January 1995

ORIGINAL: ENGLISH

Second regular session 1995
3-7 April 1995, New York
Item 3 of the provisional agenda
UNDP

PROGRAMME PLANNING AND IMPLEMENTATION

UNDP COUNTRY PROGRAMMES AND RELATED MATTERS

UNDP COOPERATION FRAMEWORK WITH INDONESIA

Framework period	Resources	$
1995-1999	Resource projection (1995-1997)	35 332 000
	Estimated cost-sharing (1995-1997)	4 000 000
	Resource projection (1998-1999)	22 790 000
	Total resource projection (1995-1999)	62 122 000

CONTENTS

		Paragraphs	Page
I.	DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES	1 - 8	2
	A. Current socio-economic situation	1 - 5	2
	B. National development objectives and strategies	6 - 8	3
II.	EXTERNAL COOPERATION	9 - 13	4
	A. Role of external cooperation	9 - 11	4
	B. Aid coordination arrangements	12 - 13	5
III.	THE COOPERATION FRAMEWORK	14 - 63	5
	A. Assessment of ongoing country programme	14 - 19	5
	B. Proposals for UNDP cooperation	20 - 52	7
	C. Assistance outside main technical cooperation framework areas	53 - 57	17
	D. Implementation and management arrangements	58 - 63	18

Annexes

I.	Financial summary	20
II.	Framework matrix	22

/...

95-03086 (E) 140395 150395

I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. Indonesia's economic achievements over the past 25 years are significant: continued strong growth; resilience to major external shocks; implementation of substantial structural reforms that diversified the economy; expanding the role of the private sector and reducing reliance on oil; considerable reduction of poverty; and a notable start on improving environmental management. Indonesia has also successfully managed external borrowing and, unlike many other oil-exporting countries, did not have to reschedule its external debt. While Indonesia remains a low-income country with a per capita income of $754 (1993), it has built a firm foundation to join the ranks of middle-income countries by the turn of the century.

2. Agriculture remains the nation's largest employer, accounting for over 50 per cent of the country's work force. Its proportional contribution to the gross domestic product (GDP), however, declined from about 50 per cent in the early 1970s to 18 per cent in 1993. The manufacturing sector has registered impressive gains with a growth rate of 10-15 per cent during the 1980s and early 1990s. Its share in GDP reached 22.4 per cent in 1993. Manufacturing surpassed agriculture as the most important contributor to the GDP for the first time in 1991. Exports of manufactured goods as a percentage of total exports rose from less than 12 per cent in 1982 to 58 per cent in 1992 whereas oil and natural gas exports fell from over 80 per cent of total export earnings during 1973-1983 to 31 per cent in 1992.

3. Current development thinking recognizes that economic growth alone does not achieve human development, and that a more people-centred approach is essential. Integral to this approach is the participation of marginalized and vulnerable sections of society. A major success in the Indonesian context is the reduction of absolute poverty incidence from 60 per cent of the population in 1970 to about 14 per cent in 1994. Most social indicators have improved substantially over the years. From 1960 to 1993, life expectancy at birth increased from 41.2 to 63 years and the infant mortality rate decreased from 139 to 58 per 1,000 births. The adult literacy rate increased from 54 per cent to 84 per cent during 1970-1992 (77 per cent for females and 91 per cent for males). Average school attendance reached 4.1 years in 1992 (3.1 years for females and 5.3 years for males). Adequate water supply is available to 58 per cent of families and adequate sanitary facilities to 22 per cent of the families. Indonesian women have achieved important gains in access to education, health care, and participation in economic activities. However, their level of education and skills as well as earnings still lag behind those of men.

4. Indonesia has taken important steps to improve environmental management. Recent initiatives have included the establishment of an environmental protection agency, mandatory environmental impact assessments in large development projects, and the introduction of new legislation on spatial planning more sensitive to environmental concerns.

5. Despite all these achievements, the Government recognizes that problems still remain in poverty, equitable distribution, employment, environment, and other areas. Future efforts should therefore be directed particularly to these fields in order to enhance sustainable human development.

B. National development objectives and strategies

6. Policies, strategies and priorities for Indonesia's development are contained in the Guidelines for State Policy (GBHN), the second long-term development plan (PJP II) 1994-2019, and the sixth five-year development plan (REPELITA VI), covering 1994-1999. The first two set out the main pattern of national development and the main directions to be followed. With the start of PJP II and REPELITA VI, Indonesia is entering a take-off stage towards the creation of an advanced, equitable, prosperous and self-reliant nation. Structural changes and challenges during the PJP II period include: transition from a natural resource-based economy to one based on labour, human knowledge and productivity; transition from a still largely rural economy to a predominantly urban-industrialized society; and the demographic transition to an aging population with its associated problems for public health services and social welfare. The provisions of the GBHN and PJP II are elaborated in REPELITA VI. All three reaffirm the Government's strong commitment to the development trilogy of equity, growth and dynamic national stability, which has guided previous five-year plans.

7. The two main objectives of REPELITA VI are: (a) to develop the attitude, strong will and self-reliance of the Indonesian people and society and to create the human resources required for the development of a prosperous and equitable society; and (b) to establish, in the next five years, a solid foundation for subsequent stages of the nation's development. Accordingly, continued macro economic stability, raising the quality of human resources as a key to sustained high growth, and further poverty reduction and equity improvement remain major goals of REPELITA VI.

8. The Indonesian economy is expected to grow by an average of 6.2 per cent per year during the plan period. Its robust export performance is expected to be maintained, led by an envisaged increase in non-oil exports by 16.8 per cent per annum. The plan thus foresees a continuing shift from exports based on natural resources to exports based on industrial capital and human resources. Non-oil industry is planned to grow by 10.3 per cent and agricultural output by 3.4 per cent per year. Per capita income is estimated to increase by 4.7 per cent annually on the average to reach $1,000 by the end of the century. The number of persons living below the poverty line is to be reduced from 25 million in 1994 to 12 million, or 6 per cent of the population, by 1998, with complete eradication of poverty by the end of REPELITA VII. Human capital and earning power are expected to rise, as the quality of education improves and nine-year basic education is universalized over the next 10-15 years. It is envisaged that maternal mortality will be halved and infant mortality reduced through expanded and higher quality primary health services. Also to be pursued are improved nutrition and a further decline in the population growth rate to an average of 1.6 per cent per annum. The creation of 11.9 million jobs is planned for the 12.6 million labour market entrants for the plan period while at the

same time reducing open unemployment. The plan also targets improvements in the management of natural resources and significant reductions in current pollution levels as key objectives. Investment in human resources, especially in education and health, is seen as the major cornerstone of poverty reduction and improvement in the quality of life of the population. The participation of women in development is to be enhanced through better education, employment opportunities and working conditions. These development objectives and priorities are reflected in the country strategy note (CSN) which sets out the role that the Government wishes the United Nations development system to play to support its development efforts.

II. EXTERNAL COOPERATION

A. Role of external cooperation

9. The State Policy Guidelines clearly state that Indonesia's own resources should be used to finance the country's development, with external assistance playing a complementary role. While foreign aid has served as a stimulus to growth, its importance as a source of development financing is expected to decline gradually as the country's economy continues to grow and gather strength. The achievement of the objectives and targets of REPELITA VI is estimated to require $302 billion, to be covered from a variety of sources, including increased Government and private savings and direct foreign investments. Of this amount, $17 billion, or 5.6 per cent, is expected to be covered by foreign aid. This compares with 8 per cent for the REPELITA V period. The priority areas for external cooperation will remain human resources development, poverty reduction, environment, and infrastructure.

10. Development cooperation with Indonesia from all sources and of all types, excluding commercial credits, as pledged by the Consultative Group on Indonesia, has averaged approximately $5 billion annually in recent years, with bilateral and multilateral cooperation each accounting for around one half of the total. External cooperation is dominated by three large donors, namely Japan, the World Bank, and the Asian Development Bank (AsDB), which over the past three years have accounted for about three quarters of all cooperation. The two development banks accounted for 96 per cent of all multilateral cooperation and Japan accounted for 60 per cent of all bilateral cooperation.

11. These figures take into account loans extended on conditions that no longer qualify them as Official Development Assistance (ODA), according to the definition agreed upon by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). If ODA alone is considered, Indonesia received $2.9 billion in 1993, predominantly for projects in the agriculture, energy, economic management, transport, and social development sectors. Multilateral cooperation accounted for about a quarter of this amount. ODA provided by the United Nations development system amounted to $49.8 million, accounting for a mere 1.7 per cent of total ODA. If technical assistance grants alone are considered, the United Nations development system provided $17.9 million (or 4.5 per cent) of a total of $398 million. UNDP technical cooperation in 1993 amounted to $12.7 million (or 2.9 per cent).

B. Aid coordination arrangements

12. The Coordinating Minister for Economic, Financial and Supervision of Development, together with the National Development Planning Agency (BAPPENAS), has the overall responsibility for coordinating external assistance. The Planning Agency is the national coordinating focal point for UNDP activities. The Cabinet Secretariat serves as the focal point for technical cooperation among developing countries (TCDC) in the Government. Aid coordination is supported by the Consultative Group for Indonesia, comprising all major donor Governments and organizations, including UNDP. It is chaired by the World Bank and meets annually.

13. In accordance with the wishes of the Government, the role of UNDP in aid coordination is limited to two areas:

(a) Support to the coordination of United Nations system activities (as outlined in the CSN and reinforced through United Nations inter-agency teams covering selected high-priority development themes) and participation in several sectoral coordinating groups, such as those for forestry, environment and women in development, convened by the Government with representation of the relevant United Nations agencies and bilateral donor institutions. In both these cases, the Government recognizes the key role of UNDP as the coordinator of United Nations system activities in the context of the Resident Coordinator's mandate and responsibilities;

(b) Assistance to the Government in strengthening its capabilities in foreign economic cooperation planning and management, through the application of a modified national technical cooperation assessment and programme (NATCAP) concept. These strategic activities are helping the Government in aid policy formulation as well as in discharging its aid coordination and management functions more effectively and efficiently.

III. THE COOPERATION FRAMEWORK

A. Assessment of ongoing country programme

14. The fourth UNDP country programme (1991-1994) originally contained 11 programme areas. These were reduced to eight at the first annual review: poverty alleviation; promotion of non-oil exports; infrastructure development; environmental protection and natural resources management; managing development; employment promotion; technology development; and regional development. During the second review, it was decided to direct the remaining programmable resources to two of the eight areas, namely poverty alleviation and environmental protection and natural resources management, as these represented particularly critical areas requiring increased attention. These decisions have sharpened the focus of the programme.

15. Poverty alleviation constituted the single largest programme in the fourth country programme covering activities in the areas of income-generation, basic needs, social welfare, and non-governmental organization (NGO) capacity-building and participation in national development. Emphasis was put on the development

of models and new approaches, on a pilot basis, which would have a potential for replication in many geographical regions. Many poverty alleviation projects, such as the income-generation project (P4K), have proven to be catalytic in the sense that they have been or are about to be expanded, horizontally and vertically, into many provinces, with financing from the Government, the International Fund for Agricultural Development (IFAD), and other donors, without further support from UNDP.

16. In the field of environmental protection and natural resources management, the fourth country programme started from a low base in terms of operational activities; in the course of its implementation, however, it established the ground, with projects such as Post-UNCED Planning and Environmental Health, for a cluster of environmental projects emphasizing policy development and programme management and coordination. Drawing on such of its comparative advantages as neutrality, in-country presence, and familiarity with all development actors, UNDP is well positioned to play a catalytic role in this critical area for the country's sustainable development during the next planning period, in spite of its modest resources and the multiplicity of donors operating in this sector.

17. UNDP interventions in the other six programme areas have also accomplished notable achievements and impact. These include the development of a national policy framework for non-oil export trade; capacity-building at the provincial level for integrated urban infrastructure development; installation and application of computerized information systems in the central planning institution; and grass-roots and participatory projects in support of decentralized regional development programmes in remote provinces in Eastern Indonesia.

18. The mid-term and subsequent assessments confirmed the effectiveness of the fourth country programme and its relevance to the Government's development priorities and needs. The Government reaffirms the importance it attaches to UNDP as a key actor in technical cooperation in Indonesia, especially in those programmatic areas that require the piloting of new cooperation schemes. The highest impact of UNDP-financed activities occurred when linkages were developed with the activities of other donors and when effective gender components and participatory development elements were prominent features. The framework will build upon these experiences and further enhance potential impact by giving particular attention to improved coordination among government agencies, increased emphasis on institutional and social aspects, long-term sustainability issues, as well as overall monitoring and evaluation.

19. In the absence of clear guidelines, progress in the application of the programme approach has been limited; nevertheless, recent UNDP interventions in export development and self-employment and micro-enterprises development have adopted this approach. Notable progress has been made in national execution. Modalities such as TCDC, the use of NGOs and the United Nations Volunteers (UNV) have been extensively adopted with effective results. The Government and UNDP both recognize that operational issues, including improved project design, identification of qualified experts, provision of adequate counterpart support, timely clearance of experts, and intersectoral coordination still need to be addressed in a concerted manner.

B. Proposals for UNDP cooperation

1. Preparatory process

20. The comprehensive assessment of the fourth country programme carried out during the 1993 review served as an important input for the formulation of the present cooperation framework. Since the latter part of 1993, extensive consultations have been undertaken with a broad range of development players in Indonesia to obtain their views on the direction and content of the new technical cooperation framework. These included government and United Nations agencies, international and national NGOs, academic and research institutions, the private sector, international financing institutions, and bilateral donors. The concurrent drafting of the CSN offered an opportunity to define clearly how the United Nations development system could best contribute to the country's development needs and priorities.

21. Based on the review of REPELITA VI and PJP II, and UNDP comparative advantages, such as neutrality, absence of conditionality, in-country presence, world-wide access to experience, knowledge and specialist staff, concept papers were prepared on three critical elements of the CSN unifying theme of sustainable human development (SHD): poverty reduction, environment, and human resources development. The concept papers examined the main issues and priorities, assessed external cooperation requirements, and recommended broad areas on which UNDP might focus in the next planning period. Apart from government offices, many other development partners were involved in the preparation of the concept papers so as to reflect their views. The result was a set of recommendations for each of the three themes, indicating which type of UNDP support would be most beneficial in helping Indonesia to meet its economic, social and environmental objectives. The three sets of recommendations were then examined concurrently and a first draft country programme was formulated and submitted to UNDP headquarters for review. One of the main results of this review was to address human resources development as a cross-cutting component of future cooperation with Indonesia.

2. Strategy for UNDP cooperation

22. As stated above, the State Policy Guidelines, the second long-term plan and REPELITA VI place priority on poverty reduction, equitable distribution, employment, and environment. The Government therefore clearly subscribes to the SHD paradigm now embraced by UNDP and other development actors. The concept of SHD clearly encompasses the key objectives of REPELITA VI and its human-centred approach.

23. Bearing in mind government priorities, global and regional priorities, the UNDP mandate, comparative advantages, programme experiences and knowledge build-up in Indonesia, the Government wishes to focus UNDP resources on two key areas within the unifying theme of SHD: (a) equitable development and poverty reduction and (b) environmental protection and regeneration, with respective estimated allocations of 40 per cent and 35 per cent of the overall target resources. Twenty-five per cent of the resources targeted for the 1995-1999 technical cooperation framework period will be earmarked to support policy and

strategy-related activities outside the two thematic areas and to provide assistance to satisfy unforeseen emergency advisory needs of the Government.

24. The two selected themes are prominent priority areas of REPELITA VI. In spite of its sharp decline in the past decades, poverty remains a serious problem and its further reduction is a key objective of the Plan, along with the reduction in unemployment and inequality. The overriding challenge will be to reach as many pockets of poverty as possible and to find a sustainable way to ensure poor people's full participation in the nation's rapid development. Environmental protection and regeneration are also an integral part of Indonesia's development concerns, as clearly reflected in REPELITA VI. While increased attention is given to this problem area, and while much progress has been achieved in establishing an enabling legislative framework, the sustainable management of natural resources and the environment remains a major challenge for all development actors in the actual implementation of their programmes and projects.

25. Equitable development and poverty reduction and environmental protection and regeneration have been two prominent areas of focus in the fourth country programme. Many activities launched supported the formulation of policies and strategies, as well as the testing of pilot approaches for subsequent replication. The new framework will build on these activities, on achievements and lessons learned, albeit with a sharper focus on those areas requiring further cooperation, specifically with UNDP. Within these two areas, UNDP will therefore support predominantly those activities that are likely to profit from UNDP strengths and comparative advantages over other potential providers of cooperation. Given past experience and achievement records, UNDP-financed activities will, inter alia, focus on capacity-building, empowerment and advancement of women, employment promotion, human resource development and people participation in project formulation and implementation. UNDP cooperation in the two areas of concentration will be designed to be programmatic in terms of substance and approaches, with interventions at the upstream, midstream, and downstream levels. It will try to link policy and regulatory frameworks with concrete implementation activities and enhance the effectiveness and impact of such activities by developing linkages with national programmes and those of other United Nations agencies, international financing institutions and bilateral donors, as well as international and local NGOs.

26. Building on the collaboration mechanisms and the extensive process of consultation developed during the fourth country programme between key government agencies, NGOs, civil society organizations and UNDP, a co-development partnership could be achieved by further addressing the need for networking and continuous dialogue at all levels to reach a common vision of the country's priorities in poverty alleviation, equitable development, which spreads the benefits of growth fairly, environmental conservation and management and by improving the enabling legislative and regulatory framework for participation by NGOs and civil society in the decision-making process.

27. The proposed framework is in line with the contents of the CSN, which adopted SHD as its overarching concept to link Indonesia's development needs and priorities best with the mandates and expertise of the United Nations development system. The implementation of the framework will be based

throughout on the programme approach. Collaboration among the United Nations agencies engaged in technical cooperation will be promoted to foster the attainment of the goals adopted in various international agreements, such as the World Summit on Children, the Convention on the Rights of the Child, the Plan of Action for the Eradication of Illiteracy, the World Declaration on Education for All, the Alma Alta Agreement on Primary Health Care, the Tropical Rain-Forest Action Plan, the Convention on Biological Diversity and the Convention on Climate Change. In view of the modest UNDP core resources likely to be available during the next five years, the proposed cooperation framework has been designed to allow for resource mobilization beyond UNDP resources. Other development partners will be invited to participate in the implementation of activities envisaged in the cooperation framework.

3. Proposed UNDP cooperation in selected areas of concentration

(a) Equitable development and poverty reduction

National development objectives

28. National development guidelines stipulate that national development efforts must benefit all people equitably throughout the country. REPELITA VI also places great stress on equitable development, which provides all people with equal opportunities to contribute their labour and talent, while simultaneously meeting their basic needs. This will have to be pursued by increasing the capabilities, self-reliance and strength of the private sector, particularly among cooperatives and small- and medium-scale enterprises, and informal sector activities, by improving the capabilities of local government officials and by a further expansion of regional autonomy. The development gap between urban and rural areas must be reduced and equity must be ensured in business and employment opportunities, income and welfare.

29. While Indonesia has made significant progress in the reduction of poverty, equitable development and poverty reduction still remain government priorities, for the following reasons. First, the number of people living below the poverty line is still high, at 26 million persons. There is also a significant portion of the population, the "near poor", living just slightly above the poverty line. Second, the regional variance in the incidence of poverty is still high. Related to this aspect is the development of specific strategies for the urban poor and the rural poor. Third, Indonesia still lags behind other similarly developed Asian countries in a number of social indicators, such as life expectancy, infant mortality and nutritional status. Fourth, labour force growth will be high, with about 1.8 million to 2 million new entrants to the labour market annually over the coming decade. Fifth, the benefits of growth have not yet been equally spread among all groups of society and geographical regions.

30. During the REPELITA VI period, the Government plans to reduce poverty to 6 per cent of the population, or around 12 million people. While poverty has already been overcome in many parts of Indonesia, the remaining 14 per cent of the population below the poverty line will be harder to reach. This will be one

of the major challenges. REPELITA VI therefore reflects a shift to a strategy that includes more targeted and effective interventions for poverty reduction, regional development, and human resources development. Accordingly, four specific strategies will be pursued. The first is continued rapid, labour-intensive economic growth, which is expected to generate employment growth of about 2.4 million new jobs a year. The resulting rise in the female participation in the labour force and the increasing shift from low wage/underemployed status to more productive employment are expected to contribute to poverty reduction. The second strategic thrust is human resources development. Emphasis is placed on extending basic education to cover nine years and raising the quality of education at all levels. These measures will raise the average educational attainments of the workforce significantly, thereby improving incomes and reducing poverty. Entrepreneurial and marketing skills as well as management and technological capability are also emphasized. Ambitious targets have also been set for improvements in community health, especially for the poor, in such areas as child and maternal health, reducing micronutrient deficiencies, access to health centres and sub-centres, safe water and sanitation, and reducing population growth. The third strategy being pursued is a sizeable increase in public spending for regional development, and the development of poor villages. Much of the regional development funds are for special Presidential Instruction (INPRES) programmes, including INPRES Desa Tertinggal (IDT), which is a new programme for the 20,633 poorest villages in Indonesia. This programme, which approaches poverty reduction from the income aspect, is being complemented by continued support for infrastructure and the provision of basic services. Equitable development through increased decentralization and accountability for the delivery and maintenance of essential social services to and by local communities are also being pursued. The fourth strategy is to target central development programmes to poor villages and areas. This includes targeting of resources and services such as the village midwives programme, free health services to needy families, and the provision of infrastructure.

Proposed UNDP cooperation

31. UNDP has supported the Government during the fourth country programme through a number of equitable development and poverty reduction projects. These fell largely into the following categories: basic needs, social welfare, employment-promotion/income-generation, regional development, and, most recently, information-strengthening for targeting poverty.

32. While considerable experience has been accumulated in poverty reduction in Indonesia, with significant achievements, the Government still needs technical cooperation to accelerate further progress in this area. Accordingly, four specific areas have been selected for strategic UNDP interventions: (a) policy and strategy formulation; (b) provision of basic needs; (c) employment promotion and income-generation; and (d) urban poverty. While a sector-oriented approach was applied in the past, a more holistic, intersectoral approach will be adopted in the next planning period. Increased regional autonomy, through decentralized planning and shifting decision-making authority to the local levels, capability enhancement of local government officials, and more involvement of local communities will be its central features. These shifts in approaches to equitable development and poverty reduction will pose greater implementation

challenges. UNDP interventions will specifically address human development concerns and, wherever appropriate, will build on the approaches and models that have been pilot-tested in the past by UNDP, and other United Nations agencies engaged in technical cooperation, the Small Grants Programme of the Global Environment Facility (GEF), as well as other donors. UNDP may also play a catalytic role in coordinating and reviewing the different experiences and approaches in poverty reduction supported by various donors. Together with the Government, NGOs and the private sector, UNDP will pursue the notion of self-propelling growth that has been piloted in several schemes.

33. Some important cross-cutting features will be emphasized, such as the sustainability of specific interventions in environmental, financial and institutional terms. This will be more easily achieved by applying a participatory and environmentally sound approach in the planning and implementation of programmes and projects, allowing poor communities, households and especially women, to make decisions on development activities affecting themselves. Replication of successful models, such as the P4K project, which use an integrated approach of bottom-up planning, community participation, empowerment of women, job creation and income-generation, and sustainable capacity-building, will also be pursued more vigorously. The role of NGOs, private sector and UNV Domestic Development Service (DDS) field workers will be enhanced as facilitators to promote this process.

34. As a further measure of equitable development, much of UNDP cooperation will be directed to Eastern Indonesia in pursuance of the strategy of the Government to target development programmes to poorer areas. As UNDP has considerable experience in Eastern Indonesia, it should intensify and expand its efforts in this region, using, for example, the IDT programme framework. However, this should not exclude support to specific equitable development efforts elsewhere in Indonesia, such as the small entrepreneurship development programme for poor communities on Java, and assistance to the build-up and spread of small and medium-scale enterprises.

35. Policy and strategy formulation. At the central level, UNDP will play a strategic role in assisting the Government in policy and strategy formulation, advice and analysis and in strengthening central-level capabilities for improved targeting of poverty, and equitable development analysis. This is part of a continuing effort that began in 1993 when UNDP provided technical expertise to the Central Bureau of Statistics and the National Development Planning Agency in analysing the yearly national socio-economic survey data results. Other policy level interventions by UNDP include the review of strategies for employment promotion, water supply and sanitation; the build-up of gender awareness among Government planners and decision-makers, including the development and implementation of a gender-responsive planning process at central and local levels; advisory support to the implementation of the Government's recently announced nine-year basic education plan, the urban policy action plan and the development of a shelter strategy, and a socio-economic study and preparatory work for selected poorest villages, as part of the IDT implementation.

36. Provision of basic needs. UNDP will continue to support the provision of basic needs, including water supply and sanitation, primary health care, basic education, and shelter, with special emphasis on Eastern Indonesia. Such

projects will be supported in tandem with activities to strengthen local government capabilities for better delivery of services. The focus of UNDP cooperation will be at the grass-roots level, with a continuing emphasis on the application of approaches and methodologies that ensure the full participation of intended beneficiaries at the design and implementation stages. UNV specialists will continue to play a facilitating role in ensuring the participation of beneficiaries.

37. Employment promotion and income-generation. UNDP will build on its past support of the successful Income-Generation Project for Marginal Farmers and the Landless (P4K), which is now being extended and expanded under IFAD financing, and will continue to play a catalytic role by further propagating this model and by pilot-testing new approaches, for example, in the field of small- and medium-scale industries, including village and home-based industries. UNDP will also continue to assist the Government in increasing the chances of success of its IDT programme for the poorest 3,000 villages of the 20,633 villages in the IDT programme, by funding a socio-economic baseline survey for 297 villages in remote provinces and by ensuring that these villages are well prepared to use IDT funds effectively. Finally, UNDP will provide further cooperation for the strengthening of cooperatives, by improving their internal management capacity and by fostering self-reliance.

38. Urban poverty. The rapid pace of urbanization is resulting in increased problems of housing and shelter, social services, land management, urban environment, employment, and a higher incidence of urban poverty. Currently, UNDP is helping the Government to develop an urban development programme with a strong human development thrust in response to REPELITA VI priorities. Within this context, the Government wishes to use UNDP support to examine specific urban poverty issues, e.g., the situation of poor urban women and street children, land ownership in poor urban areas and the situation of migrant workers, urban employment (through a series of action-oriented research studies), pilot testing of community-based approaches, and national-level dialogues. The stress will be on poverty prevention as opposed to poverty reduction through curative measures. The Government will use the results of such studies and broad-based consultations to define and formulate urban poverty strategies, within the context of a comprehensive urban development strategy and programme, and to identify suitable areas for donor involvement and financial support.

Expected results and impact

39. Indicators of achievement will include: adoption and implementation of equitable development and poverty reduction policies, strategies, and programmes for both rural and urban areas, reflecting more effective and specific targeting of poverty and increased involvement of local government agencies, NGOs, and communities; better access to basic needs services by poor communities, including disadvantaged groups and women, particularly in health, nutrition, education, housing, and water and sanitation; and increased employment opportunities and income-generation for the poor. Capacity-building and human resource development will take place for the government agencies to plan and manage these programmes more effectively and for the local communities to participate more extensively in equitable development and poverty-reduction

activities. Successfully tested income-generation models will have been replicated and expanded, with substantial additional financing made available by the international donor community.

Complementary assistance

40. A number of significant international cooperation efforts are under way in the country. For instance, in the field of education, the World Bank is focusing on basic education, non-formal education and the improvement of teacher quality at the secondary education level and the United States Agency for International Development (USAID) is supporting the implementation of nine-year basic education. The World Bank-assisted Third Community Health and Nutrition project complements the UNDP-supported primary health-care project in Irian Jaya and Maluku. The United Nations Population Fund (UNFPA) provides support for maternal and child health and family planning, data collection and analysis as well as information, education and communication related to population, and specific programmes targeted at women and youth. Cooperation with the United Nations Children's Fund (UNICEF) for mother and child health and nutrition will continue in conjunction with support for clean water supply and sanitation, the implementation of the United Nations Convention on the Rights of the Child, and protection for women and children. Other international agencies supporting the health sector include: AsDB, which has assisted with the construction and rehabilitation of health facilities, including the provision of health and family planning services; and Japan, which has assisted with the construction of hospitals. A World Bank programme in water supply and sanitation for rural and urban low income communities was prepared with UNDP technical cooperation. Of the several donors that support water supply and sanitation activities, AsDB, Australia, and UNICEF are notable, with UNICEF focusing on human resource development at local levels. IFAD supports poverty reduction by providing very substantial parallel and follow-up cooperation to the UNDP-supported Income-Generation Project for Marginal Farmers and the Landless, and through projects dealing with rain-fed agriculture, smallholder tree crop, and livestock development, with a recent focus on Eastern Indonesia. The World Food Programme (WFP) provides food aid for poor farmers to undertake agricultural and infrastructural work in transmigration sites and other rural areas. Shelter and urban development have been supported by France, Japan, Switzerland, USAID, World Bank, and UNDP/United Nations Centre for Human Settlements (UNCHS), and most have focused their cooperation on the provision of infrastructure and basic services. There are also several international private voluntary organizations providing assistance to these sectors in collaboration with local NGOs. Complementarity will also be achieved through UNDP regional projects, including the Regional Poverty Alleviation Programme, Regional Water and Sanitation for Asia and the Pacific, and Asia-Pacific 2000, dealing with the urban poor.

(b) Environmental protection and regeneration

National development objectives

41. While Indonesia has been remarkably successful in achieving growth and reducing widespread poverty, the pace and pattern of development have led to growing concern about the sustainable use of natural resources and the social and economic costs of urban and industrial pollution. In many areas, population

pressures and rapid development are leading to degradation of natural resources, including land, forests, water and energy, and critical terrestrial and marine ecosystems and the foreclosure of options for sustainable development. Conflicts over the use of land and access to other natural resources are increasing, and growing numbers of people are exposed to environmental pollution that threatens their health and livelihoods. Industrial pollution, combined with pollution from urban sources such as solid waste, human waste and vehicle emissions, poses a threat to health and human welfare.

42. The main challenge will be to integrate environmental issues and concerns into the development process. Successful environmental and natural resource management depends on maximizing the links between appropriate economic policies and sound environmental standards. Accordingly, REPELITA VI targets improvements in the management of natural resources and minimization of pollution as key objectives. Achieving these goals will entail a three-pronged approach, focusing on policy, investment and institutions. A mixture of policies will be pursued, including regulatory policies that emphasize less expensive "top of the pipe" changes rather than more expensive "end of the pipe" clean-ups, market-based policies such as pollution charges to limit environmental degradation, and pricing policies that reflect the true value of fuels and energy, forests, water, and land to the country. The policies will encourage private investment in pollution control. Public sector investments will focus on reducing congestion, water sewage treatment, and sanitation in urban areas so as to maintain a healthy urban environment. Priority is also placed on the strengthening of relevant institutions and human resources to plan and implement sustainable development as well as information campaigns to enlist public support in the sound management of the environment. Collaboration between the different segments of the society, including government agencies, NGOs, academic circles, the private sector, and communities, is needed to deal effectively with these areas.

43. Of the multitude of environmental issues facing Indonesia, the Government attaches great priority to the provision of clean water and sanitation facilities; solid waste management and vehicle emission control in main urban centres; industrial pollution control, particularly on Java; and the sustainable management of forest resources. Other priorities include protection of watersheds and coastal and marine ecosystems, and the management of the switch from oil as the main source of energy to natural gas and coal, without increasing the current, often sizeable, levels of air and water pollution.

Proposed UNDP cooperation

44. Since the Government has already been receiving UNDP support in the environmental field, the framework for cooperation for the next five years will be able to build on past and ongoing activities. In accordance with the mandate given to UNDP for capacity-building for sustainable development at the United Nations Conference on Environment and Development (UNCED) in June 1992, capacity-building and human resources development will be the underlying feature of this theme. The post-UNCED planning and capacity-building project, supported by UNDP, provides the overall framework for activities under this theme as it aims to formulate a long-term national strategy for sustainable development in line with Agenda 21 and various international conventions. The availability of

UNDP grant funds is considered a major advantage in addressing strategic policy areas and in enhancing institutional development efforts.

45. It is proposed that apart from pursuing existing projects in coastal management, national park management, forest fire management and social marketing and public-awareness raising, UNDP will thus have an opportunity to develop strategies at the upstream level, as well as powerful environmental management instruments and tools such as environmental impact assessments (EIAs), green accounts, industry performance standards, and the "polluter pays" principle for a successful enforcement of the policies. In doing so, UNDP will follow a bottom-up participatory approach, by stressing the important role to be played by environmental NGOs, industry and community-based environmental initiatives. Such organizations can have a sizeable impact, with minimal financial inputs, as demonstrated by the NGOs funded through the GEF Small Grants Programme, which promotes the participation of NGOs in finding community-based solutions to global environmental problems.

46. Even though Indonesia was one of the first countries to sign and ratify the Convention on Biological Diversity and the Convention on Climate Change and would thus be a promising target beneficiary of GEF II, the Government has so far not considered it opportune to request UNDP support for a corresponding pipe-line build-up, in spite of successful UNDP/GEF assistance under the Pilot Phase. This in part reflects the availability of large amounts of technical cooperation and concessionary bilateral funding for the environmental sector and the belief of the Government that large-scale GEF II project proposals could be more easily financed by the World Bank.

47. Improving the economic and environmental performance of industry. Waste generated by industry and private households causes significant pollution of land, air and water resources. Proposed measures include the application of the "polluter pays" principle for the costs of pollution, issuance of environmental performance standards and environmental pollution criteria, and enforcement. The diverse and widely scattered nature of small-scale industrial enterprises presents a very complex challenge for reducing the pollution they cause and improving environmental health, safety and health of employees, and their economic performance. UNDP cooperation will be used in the formulation of a strategic framework to coordinate and integrate technical cooperation and financial assistance to improve the economic and environmental performance of industry. This may be done on a pilot basis in a few selected industries of national significance in one or two provinces, for future replication. Emphasis will be given to waste minimization and the development of cleaner technology within existing enterprises, and improving the planning and management of new enterprises to avoid pollution. Consideration will also be given to the setting-up of a community-based environmental monitoring system through community empowerment. The experience and outcome of these undertakings will be used to develop clearer national policies and strategies in the area of economic and environmental performance improvement, as well as to strengthen institutional and management capacity at various levels. Human resources development will also be realized in the process. Linkages will be established with projects funded under the Montreal Protocol (to help restructure industries so as to phase out the use of ozone-depleting substances), the United Nations

Industrial Development Organization (UNIDO) Cleaner Production Centres, and a multitude of bilateral donor programmes in this area.

48. Integration of environmental concerns in regional planning. Under the decentralized planning scheme, local governments are given specific directives to develop spatial planning systems that harmonize the use of land, water and other natural resources in a comprehensive, dynamic and sustainable manner. However, this is hindered by the shortage of information on the carrying capacity of environments under their jurisdiction, adequately developed environmental and spatial planning procedures, and a shortage of skilled planners. Building on its experience in provincial-level development such as the Eastern Indonesia Decentralized Development project, UNDP will assist in strengthening the integration of environmental management with spatial planning at the local levels. Since this will entail awareness-raising, training, and the development and application of appropriate tools, techniques and processes for planning and decision-making, including environmental impact assessments and natural resources accounting systems, it will provide an opportunity to adopt a bottom-up approach, involving local governments, community-based organizations (CBOs), local and international NGOs and most donor institutions. It may also enhance the possibility of a link-up between national efforts and regional initiatives in environmental protection and regeneration.

49. UNDP support for gender-responsive planning and social sector development planning, as detailed under the poverty alleviation theme, will complement activities in this field. Human resources development, especially at the level of local government, will be emphasized. Activities under this sub-theme are closely linked to poverty alleviation as they will help the local population gain greater economic benefits from new approaches to natural resources use under sustainable development conditions. The GEF Small Grants Programme will further strengthen the efforts in this area.

Expected results and impact

50. Success indicators will include: the establishment and adoption of improved industrial and environmental standards and practices by selected critical pollution-causing industries, on a pilot basis, for future replication in other industries and provinces; and better integration of environmental issues into regional planning through the use of appropriate policies, regulations and tools, improved planning and management practices, increased awareness, and strengthened institutions and human resources. The programme will also have a direct bearing on equitable development and poverty alleviation since it will not only improve the health and livelihood of both rural and urban population through environmental enhancement (including more sustainable use of natural resources for the economic and social welfare of the people) but it will also ensure the more widespread and institutionalized participation of women's groups, local community organizations, NGOs and CBOs in the formulation and implementation of environmental policies and programmes.

Complementary assistance

51. Significant complementary support efforts include: GEF-supported integrated biodiversity conservation and development project; the GEF-Small Grants Programme; regional GEF projects, including the prevention and management of marine pollution in East Asian seas, development of plans to reduce the emission of greenhouse gases in Asia, global monitoring of greenhouse gases, and a strategy for the conservation of rhinos in South-East Asia; activities funded under the Multilateral Fund and under the Montreal Protocol for the Protection of the Ozone Layer, including institutional strengthening for the phase-out of ozone depleting substances (ODS), and a major programme for ODS phase-out in the foams, halons, aerosols, solvents, methyl bromide, and refrigeration sectors; and UNDP support to develop a sustainable development network to promote access to and exchange of information on sustainable development among the various stakeholders.

52. In addition to the above, a multiplicity of bilateral and multilateral donors are involved in the environmental field in Indonesia, for instance the World Bank supports forestry development and the Environmental Impact Management Agency (BAPEDAL); AsDB supports the BAPEDAL regional network and natural resources management, including forestry and biodiversity; the Government of Japan provides funding for the Environmental Management Centre and for reforestation programmes; the Government of Canada finances the Environmental Management Development in Indonesia Project; USAID supports natural resources management, sustainable agriculture, and urban environment infrastructure; the European Union, Italy, Germany and the United Kingdom assist sustainable forest management. The UNICEF country programme includes a component on the improved provision and use of safe drinking water and environmental sanitation services at the community level. The UNFPA country programme pursues the integration of family, population, and development aspects with environmental protection, while WFP supports watershed rehabilitation. UNDP-supported activities will have direct or indirect links with many of these efforts.

C. Assistance outside main technical cooperation framework areas

53. About 20 per cent of the resources expected to be mobilized under the cooperation framework (1995-1999) will be earmarked for supporting ongoing and as yet unplanned policy- and strategy-related activities outside the two areas of concentration. During the fourth country programme, UNDP supported the Government in the formulation of a national strategy on HIV/AIDS, ensuring the involvement of many NGOs in the consultative process. The results of this process are reflected in a Ministerial Decree on the National Strategy for AIDS Prevention, which followed the Presidential Decree, issued in June 1994, establishing the National AIDS Commission. Continued UNDP support is expected in this critical area. The UNDP regional project Strengthening of Multisectoral Support for HIV/AIDS will complement this activity.

54. In support of the International Decade for Natural Disaster-Reduction, UNDP has assisted in the preparation of a Presidential Decree on Disaster Management. REPELITA VI places importance on this subject. UNDP support will continue into the next planning period by focusing on prevention measures, especially the

strengthening of provincial and district-level capabilities to deal with the entire range of disaster-management functions, and improving intersectoral coordination at the central level. UNDP's increased in-house capacity for disaster management and its world-wide cooperation with the United Nations Department for Humanitarian Affairs (DHA) in this field will guarantee efficient use of resources and ensure the greatest possible impact.

55. UNDP will continue to provide limited assistance, at the policy level, in public administration management and reform. This may include improvement in human resources management in the public sector by enhancing the quality of trainers and training programmes, the leadership quality of managers, and the quality of management information systems. Support to central government coordinating institutions such as the National Development Planning Agency to strengthen capabilities in aid policy formulation and implementation, in aid coordination and management, as well as in the implementation of the Government's active TCDC programme, will be further pursued.

56. Other ongoing activities expected to continue include assistance in consolidating the trade development strategy covering foreign investment policy, the promotion of small- and medium-scale enterprises, and support to the design, implementation, evaluation and impact assessment of human resource development policies in areas that are only partly related to equitable development, poverty reduction and environment.

57. Finally, in order to provide assistance to as yet unforeseen emergency advisory needs and to respond in a flexible manner to possible changes in government priorities, UNDP will set aside 5 per cent of targeted resources as an operational reserve.

D. Implementation and management arrangements

58. The reductions in the amount of UNDP resources available have made it even more necessary to focus the programme on the two concentration areas that are likely to profit most from UNDP comparative advantages and in which the highest potential impact on the respective national programme may be achieved. Within the two areas chosen: equitable development and poverty alleviation, and environmental protection and regeneration, people's participation and ownership are to be better ensured at all levels and in respect of policy-making, planning, implementation and beneficiary parties. One of the crucial issues will be the further strengthening of Government, NGO and private sector collaboration to establish a true partnership in development; the other will be to make capacity-building a priority in designing and implementing national development efforts in order to ensure the absorption, effectiveness and sustainability of UNDP and other external cooperation. While there is both strong support, capacity and capability for cross-sectoral, holistic programme approaches in the National Development Planning Agency, the situation in many Government line departments, in this regard, can be further improved. UNDP has therefore offered to continue to assist the Government in encouraging and enhancing the capacity-building for cross-sectoral approaches in national programme and project execution and implementation.

59. The Government has been committed to the principle of national execution for some time. This has manifested itself in a steady increase in the volume of nationally executed activities approved during the current country programme. In fact, 76 per cent of the activities approved during 1993 and 1994 were nationally executed. Given the general success with the national execution modality, it is expected that in the future, an even higher portion of the activities assisted by UNDP will be nationally executed. This is already evident from present pipeline activities, of which about 90 per cent are expected to be nationally executed. The use of national expertise will be fully encouraged. Other cost-effective modalities, such as the use of UNV specialists, will also be pursued.

60. The cooperation framework is designed to encourage close collaboration with the United Nations agencies engaged in technical cooperation, as well as with other development cooperation partners, in the planning, implementation, monitoring, evaluation, and financing of projects and programmes in the areas of concentration chosen. The coordination and collaboration with the United Nations agencies will take place within the framework of the Indonesia CSN, which has been developed in parallel with the technical cooperation framework, ensuring that the two are mutually supportive. The CSN gives clear expression to priority areas for overall United Nations system assistance to Indonesia, spells out coordination and monitoring arrangements and serves as a common framework for resource mobilization.

61. Since total resources required for the implementation of the envisaged programme will be significantly larger than what is expected to become available from UNDP core resources, such collaboration as well as active resource mobilization will be necessary to obtain a high degree of implementation of planned activities. Since Indonesia in principle does not favour Government cost-sharing, it will, whenever appropriate and necessary, try increasingly to provide parallel funding of joint projects through substantial cash counterpart provisions, in addition to the normal in-kind provision of staff and premises. Continued renewed efforts will be made to identify bilateral and multilateral funds either as cost-sharing or parallel funding, in addition to pledges made within the framework of the Consultative Group for Indonesia. Furthermore, no effort will be spared in taking maximum advantage of GEF and Montreal Protocol funding for any suitable environment-oriented activities.

62. In this context, it will be important to strengthen institutional arrangements for systematic monitoring and evaluation, at national and local levels. For this purpose, UNDP will endeavour to carry out an ex-post evaluation of the long-term sustainability of some technical cooperation projects, provide catalytic assistance to the setting-up of a "think tank" within the National Development Planning Agency, and assist in the establishment of monitoring/evaluation cells for major projects and programmes.

63. Linkages with the UNDP intercountry programme for Asia and the Pacific, 1992-1996, should be further enhanced, especially in the areas of environment and natural resources management and human development. Complementarity will also be ensured with the Association of South-East Asian Nations (ASEAN)/UNDP subregional programme for the fifth cycle, including subprogrammes on human development as well as environment and trade.

Annex I

FINANCIAL SUMMARY

I. RESOURCES

	Thousands of dollars	
A. Resource projection and cost-sharing 1995-1997		
Estimated carry-over from current programme (1991-1994)	1 147	
Fifth cycle IPF (1995-1996)	22 790	
Resource projection 1997	11 395	
Subtotal for 1995-1997		35 332
Project cost-sharing target 1995-1997 (Government)	3 000	
Project cost-sharing target 1995-1997 (third party)	1 000	
Programme cost-sharing target 1995-1997 (Government and third party)	-	
Subtotal cost-sharing		4 000
SUBTOTAL		39 332
B. Resource projection, 1998-1999		
UNDP core	22 790	
Project cost-sharing (Government)	-	
Project cost-sharing (third party)	-	
Programme cost-sharing (Government and third party)	-	
SUBTOTAL		22 790
TOTAL RESOURCES, 1995-1999		62 122

II. ALLOCATION OF RESOURCES BY AREA OF CONCENTRATION

	Thousands of dollars	Percentage of envisaged target resources
Area of concentration		
Equitable development and poverty reduction	24 849	40
Environment protection and regeneration	21 743	35
Others	12 424	20
Subtotal	59 016	95
Operational reserve	3 106	5
TOTAL	62 122	100

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN UNDP AREAS OF CONCENTRATION

		Thousands of dollars
A.	UNDP-administered funds	
	SPR	150
	UNIFEM	850
	Global Environment Facility (GEF)	19 000
	Subtotal	20 000
B.	Other United Nations resources	
	JCGP participating agencies	
	UNFPA (estimate)	20 000
	UNICEF (estimate)	75 000
	WFP	2 000
	IFAD (estimate)	100 000
	Other United Nations agencies (regular budget allocation estimate)	23 000
	Subtotal	220 000
	Total non-core and other United Nations resources	240 000
C.	Non-United Nations resources	not available
	TOTAL	240 000

/...

Annex II

FRAMEWORK MATRIX

Area of concentration	Area of focus a/					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. EQUITABLE DEVELOPMENT AND POVERTY REDUCTION						
Policy and strategy formulation	*	*	*	*	*	*
Provision of basic needs	*	*	*		*	*
Employment promotion and income generation	*	*	*		*	*
Urban poverty	*	*	*	*	*	*
II. ENVIRONMENT PROTECTION AND REGENERATION						
Improving economic and environmental performance of industry	*	*	*	*	*	
Integration of environmental concerns in regional planning	*	*	*		*	*
III. ASSISTANCE OUTSIDE THE MAIN FRAMEWORK						
HIV/AIDS	*		*	*	*	*
Disaster management	*	*	*	*	*	*
Promotion of trade and SMEs	*	*	*	*	*	*

a/ Asterisk indicates major linkage only.